



TESTIMONY OF KATHE L. CALLAHAN BRADY

President and CEO, Frederick Innovative Technology Center Inc,

**United States Senate Committee on
Small Business & Entrepreneurship Field Hearing
Thursday, August 8, 2019**

Senator Cardin and members of the Committee, Good afternoon and Thank you. I am Kathie Callahan Brady, CEO of the Frederick Innovative Technology Center Inc., also known as FITCI.

FITCI mission is to encourage technological innovation and accelerate the development of commercially viable technology-based businesses by providing tough love from proven growth fanatics. This includes an array of intensive workshops and training opportunities, as well as connecting emerging business leaders to proven mentors in related industries as well as capital.

We work with many clients whose businesses hinge on SBA support. So, the first thing I want to say is “thank you.” Thank you for being here, giving attention to this issue, and for this opportunity to give testimony, because the Small Business Administration’s efforts mean so much to so many.

Right now, FITCI has (49) clients. That’s up from (15) client companies just three years ago. We’ve even added a second location, ROOT on North Market Street just a block from here, in complement to the labs and offices available at our Metropolitan Court location.

That percentage of growth outpaced population, the economy, and so many other indicators, because we were able to engage and activate community support. Magic happens when people believe in a cause. Their passionate commitment transforms possibility into reality.



It also shows how much hidden potential was just waiting to be tapped.

Of those 49 clients I mentioned, just about all of them look to apply for SBA programs.

So, I asked them along with our number one loan officer of SBA Loans in Frederick, M&T Bank (20 SBA Loans in Frederick, 340 total in Maryland this year) as well as the other Banks who don't lend many SBA Loans for ideas to make SBA contracting programs better and I'm happy to pass along their input.

SBA CONTRACTING PROGRAMS

1. Local accessibility is one issue mentioned by a woman-owned, disadvantaged, client company. She noted that the process was very lengthy. During that time, she had to drive out of Frederick County to Montgomery or Howard County to connect with the appropriate offices.
 - a. The good news is that she also said the benefit was invaluable and it has increased her business.
 - b. We work very hard to give emerging entrepreneurs the best start here, but it's a common challenge that they think they have to go somewhere else to grow, whether that's Baltimore or Boston. We'd like to keep them here.
 - c. Being able to connect locally would help reinforce the fact that opportunity is everywhere and allow us to see a long-term return on our investment in fellow community members.



2. Another client spoke of the federal contracting saying, “it’s gotten increasingly difficult for small firms to get access to federal clients prior to requirements hitting the streets to try to better understand their needs so they can write a winning proposal. Security standards since 9/11 make it impossible to walk the halls of federal agencies meeting people without an appointment and the marketing events are run by gatekeepers who are often overbooked and unhelpful. Meanwhile large businesses hire a former SES from a target agency with the reach back to get excellent direct business intelligence. There needs to be way to level the playing field beyond just setting requirements aside in these small business pools. Because if you can’t market effectively, you can’t gather the info you need to win competitive bids and most 8(a) firms, for instance, don’t last much beyond their 9-year program limit. When that ends they need to be able to compete. One consideration might be to increase sole source opportunities among 8(a), SDVOSB, HUBZone and WOSB firms in substantive areas that will allow them to gain the past performance experience they’ll need to continue in the focus areas they choose”.
3. Another client suggested making it easier for the average small business owner to compare SBA loan programs, including qualifications on what makes a good candidate for each program. This could save time and effort on both sides of the equation.
 - a. Our client suggested a simple web-based Q and A app to help route potential applicants and give them the next steps.
4. An additional client suggested: The SBA could highlight/reinforce the importance of the applicant’s relationship with his or her banker and the bank’s role in the SBA loan process. Most budding business owners have to learn this as they go. They may be an expert in their particular industry, art or science, but banking and business loans are a new territory.



- a. Personal credit scores are extremely important as does a willingness to take personal financial responsibility for a business loan, regardless of corporate status
5. And another client suggested: Offering pre-determined terms on default would be helpful, since SBA Loans are often given to people with a shortfall of collateral and a higher risk of default. Those terms should be affordable by an individual on a salary, which is where most people will get income if they have to close their business and take an alternate job. In the event of default, a laxer re-payment schedule could kick in.
6. Input from the banks I interviewed: Banks are not lending as much on smaller loans as they are significantly less profitable. The smaller loans are what the businesses need the most.
 - a) Just a few years ago SBA used to have a program where they waived their fees for loans under \$150,000 and that program was closed which has resulted in fewer small loans being approved.
 - b) For all loans the process is very long, cumbersome and therefore costly. They would like the process to be more streamlined or for loans of \$150,000 or less have the SBA waive or cut out some of the process and rely more on the banks process.
 - c) Outside of the fees & costly process on small loans their response was: "They love the program because it allows them to approve loans they otherwise would not have been able to be approved. Then they added the painful process makes them want to avoid the program."



I had asked these questions early last week so if other responses arise that might be different then I'm happy to forward these to your office. I know the Senator has come to visit our Biotech center although if the Senator or the committee would like to visit our Technology Center not a block from where we are at today, I'd love to give you a tour.

We do hope that these suggestions are helpful as you continue to refine the SBA's interactions with small business owners, especially in underserved communities. As always, if you have any questions, please contact me anytime at (301) 874 - 5291.

Sincerely,

Kathie L. Callahan Brady